



Judicial Council of California

Administrative Office of the Courts

Trial Court Financial Policies and Procedures

Procedure No. **FIN 4.01**
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BUDGET DEVELOPMENT

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Budget Development

1.0 Purpose

The purpose of this policy is to present uniform guidelines for the trial court to use in developing and managing its annual budget.

2.0 Policy Statement

The trial court is responsible for developing and managing its budget so that its resources are utilized efficiently and effectively, in a manner that inspires public confidence in the court. It is the policy of the trial court to comply with applicable legislation and follow the procedures adopted by the Judicial Council for budget development and management.

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4.0 Application

This procedure applies to all trial court officials and employees.

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5.0 Definitions

1. **Administrative Office of the Courts.** The organization established by the Judicial Council to serve the courts of California and provide them with administrative support.
2. **Baseline Budget.** The level of funding provided to support current court operations. Generally, the baseline budget is developed as follows:
Baseline Budget = Existing Allocations + Funded Adjustments for Salary Increases + Annualized Partial Year Costs - One-time Costs.
3. **Budget.** A plan for the financial operation of the trial court for a specified time period, usually a fiscal year.
4. **Budget Act.** The legislative action signed into law by the Governor that provides appropriations for the operation of the State government, including the trial courts, for the coming fiscal year.
5. **Budget Change Requests.** New funding requests proposed to address increases in caseload or workload, meet legislative mandates, or finance new programs or trial court operations.
6. **Fiscal Year.** The 12-month budgeting and accounting period. The State of California's fiscal year begins on July 1 and runs through the following June 30.
7. **Judicial Council.** The governing body of the California courts established in 1926 by article VI, section 6 of the Constitution of California. Under the leadership of the Chief Justice, the Judicial Council is responsible for ensuring the consistent, independent, impartial, and accessible administration of justice (GC 68070, GC 77001, CRC 6.1).

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6.0 Text

The passage of the Lockyer-Isenberg Trial Court Funding Act of 1997 placed principal responsibility for funding trial court operations on the state. The trial court receives annual allocations from the Judicial Council based on appropriations in the state budget for statewide trial court operations. The trial court operates on the state fiscal year and according to the state budget cycle.

6.1 Sources of Trial Court Funding

1. The trial court's primary source of state funding is the Trial Court Trust Fund. The court may also receive state funding for specific purposes from other sources including the Trial Court Improvement Fund, and the Judicial Administration Efficiency and Modernization Fund. In addition, various grants are received by the Judicial Council and passed through to the trial courts. The court may also receive direct local revenues as well as revenues from the county depending on the terms of its Memorandum of Understanding with the county.
2. All money received by the trial court is deposited into the Trial Court Operations Fund.

6.1.1 Trial Court Trust Fund

1. Each year the Budget Act contains an appropriation to the Judicial Council for the general operations of the trial courts.¹ Money appropriated for trial court operations is deposited into the Trial Court Trust Fund², which is administered by the Judicial Council. The Judicial Council is responsible for allocating funds from the Trial Court Trust Fund to the individual trial courts in a way that: (1) assures the courts' ability to carry out their functions, (2) promotes

¹ Government Code 77202

² Government Code 68085

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implementation of statewide policies, and (3) promotes the immediate implementation of efficiencies and cost saving measures in court operations, to guarantee equal access to the courts.³

2. The Trial Court Trust Fund has three revenue sources. First, over half of the money that flows into the Trial Court Trust Fund comes directly from the annual appropriation of the State General Fund. Second, the counties are required to submit Maintenance of Effort (MOE) payments to the state. The 20 largest counties make Expenditure MOE payments based on county funding provided to local courts in fiscal year 1994–1995, as established by the Trial Court Funding Act and subsequent legislation (GC 77201.1). All counties make Revenue MOE payments based on fine, fee and forfeiture collections in fiscal year 1994-1995. Third, civil filing fees collected by trial courts and remitted to the Fund by the counties make up the balance of Trial Court Trust Fund revenues.

6.1.2 Trial Court Improvement Fund

1. Government Code Section 77209 established the Trial Court Improvement Fund to fund improvements in the statewide trial court system. The Judicial Council allocates portions of this fund to special projects that benefit the statewide trial court system, or to approved projects in individual trial courts.
2. The Trial Court Improvement Fund is continuously appropriated. Three sources of state revenue support the Trial Court Improvement Fund:
 - a. Transfer of a mandated one percent of the annual state budget

³ Government Code 68502.5 (c).

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appropriation for trial court operations from the Trial Court Trust Fund.

- b. Deposit of the first two percent of fines, forfeitures and penalties collected by the court in criminal cases (referred to as 2 Percent Automation Fund revenues).
 - c. “Excess revenues”, which are equal to one-half of any fee, fine and forfeiture collections above the level collected in fiscal year 1994–1995 (known as 50-50 split, counties retain the balance).
3. The one percent transfer from the Trial Court Trust Fund is allocated to projects that improve the provision of justice in the courts:
 - a. Half of this amount is held until March 15th of each fiscal year as a protection against urgent needs and fiscal emergencies.
 - b. The other half of this amount is available for courts that have fully unified and meet Judicial Council approved criteria (up to 1/4 of 1%), and statewide projects and programs that benefit the trial courts (up to 1/4 of 1%).
 4. Funds not less than the level collected in FY 1994-95 from 2 Percent Automation revenues are returned to the courts for improvements in automated record keeping.⁴ The rest remain in the Trial Court Improvement Fund for further allocation.

6.1.3 Judicial Administration Efficiency and Modernization Fund

1. GC 77213 establishes the Judicial Administration Efficiency and Modernization Fund “to promote improved access, efficiency and effectiveness in trial courts that have unified to the fullest extent permitted by law.” The Judicial Council delegates administration of the fund to the AOC. The fund may be used for, but is not

⁴ Government Code 77209 (h).

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limited to, the following:

- a. The costs of in-state education programs for judicial officers or court staff, or the support of local trial court education programs.
 - b. Improved technology including information systems programming or equipment that meets Judicial Council standards.
 - c. Pilot projects to improve trial court operations, programs, or administration.
2. The following limits are placed on the ways in which the Judicial Administration and Modernization Fund may be used:
 - a. No more than 20 percent of the fund may be permanently allocated to projects that support educational programs for judicial officials and trial court staff.
 - b. No more than 40 percent may be permanently reallocated to the trial courts for any other purpose approved by the Judicial Council.
 - c. At least 40 percent of the funds must be retained to support annual allocations to improvement programs and projects for qualifying trial courts. This ensures that funds are available for new pilot projects or programs.
 3. The Judicial Administration and Modernization Fund is supported by annual appropriations from the State General Fund.

6.2 State Budget Cycle and Timelines

There are two major phases of the state budget cycle – **development** and **implementation**. The development phase includes evaluation of current year activities and performance and planning for future year

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fiscal requirements. The implementation phase includes establishing budgetary controls through appropriation, allocation and budget execution, or in accounting terms, the recording and management of revenues, expenditures and encumbrances.

6.2.1 Budget Development Process

1. The Judicial Council is ultimately responsible for adopting a budget and allocating funding to the trial courts under GC 68502.5.
2. The trial court's right to provide input into the Judicial Council budget process is provided for in GC 77001 (d).
3. The process of developing a budget and allocation schedule for trial court operations includes the following general steps:
 - a. Judicial Council receipt of budget requests from the trial courts.
 - b. Review of trial court budget requests and evaluation against performance criteria established by the Judicial Council to allow the measurement of trial court performance, level of coordination, and efficiency.
 - c. Adoption of the projected cost of court operations for the following fiscal year. The estimated cost serves as the basis for recommended court budgets, which are developed for comparison purposes and to delineate funding responsibilities.
 - d. Approval of a schedule for the annual allocation of money to the individual trial courts and the overall trial court operations budget for inclusion in the Governor's proposed state budget.
4. The allocation of money to the individual trial courts is based on minimum operating and staffing standards, performance criteria, and any other factors that may be established by the Judicial Council. Money must be allocated to the courts so that every court

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receives funding to meet the minimum operating and staffing standards before requests for additional funding may be considered.⁵ The Judicial Council may offer incentives and rewards to trial courts that implement efficiency and cost saving measures.⁶

5. The Judicial Council has delegated the responsibility for adopting trial court budgeting policies and procedures and the annual schedule of budget development to the Administrative Director of the Courts.⁷ The trial court budget development process, which ends with the legislature's approval of the state budget that becomes effective at the beginning of the fiscal year (July 1), is described in the following table.

Trial Court Budget Development Process and Timeline

Activity	Purpose	Prepared/Issued By	When
Establish Priorities for Budget Year (Budget Priority Development Survey and Trial Court Budget Conference)	To ensure that the needs of the statewide judiciary are best met in the budget submitted to the Governor and Legislature for approval.	Judicial Council with input from trial courts, advisory committees, and AOC fiscal and program staff	November-February
Develop and Issue Trial Court Baseline Development and Budget Change Request Package	To guide the trial courts in developing Budget Change Requests consistent with their own strategic plans and the Judicial Council's budget priorities.	Administrative Office of the Courts, Finance Division	February-April
Budget Development Workshops	To assist the trial courts in developing their baseline budgets and budget requests.	Administrative Office of the Courts, Finance Division	March-April
Prepare Budget Change Requests	To seek funding to meet strategic planning objectives and changes in workload and operating needs.	Trial Courts	April-June

⁵ Government Code 68502.5 (a) (4).

⁶ Government Code 77202 (a) (1) through (a)(6).

⁷ Government Code 77202 (b).

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Trial Court Budget Development Process and Timeline

Activity	Purpose	Prepared/Issued By	When
Prepare Baseline Budget	To establish existing funding and staff availability to support current operations, and budget on a program basis consistent with the court's strategic plan.	Trial Courts	June - August
Baseline Budget Development Workshops	To assist trial courts in completing their Baseline Budgets and Schedule 7A of salaries and wages	Administrative Office of the Courts, Finance Division	May-July
Analysis of Budget Change Requests	To determine needs, assess compliance with Judicial Council priorities, and make decisions regarding the merit of individual requests.	Administrative Office of the Courts, Finance Division, program staff and program experts	June-August
Recommend Statewide Budget to Judicial Council	To report to and secure approval from the Judicial Council on the statewide trial court budget, to be prepared by the AOC based on local budget requests.	Administrative Office of the Courts, Finance Division	July-August
Review and Approve Statewide Trial Court Budget Request	To submit a coherent, accountable and fiscally responsible Trial Court budget to the Department of Finance, Governor and Legislature.	Judicial Council	June-August
Prepare Statewide Budget Change Proposals (BCPs) and Submit to State Department of Finance	To seek funding, on behalf of the trial courts, to meet judiciary-wide and local strategic planning objectives, workload increases, and changes in operating needs.	Administrative Office of the Courts	September
Review and Make Recommendations to Governor on the Statewide Trial Court Budget	To determine the reasonableness of the Judicial Council's Budget Change Proposals and the availability of resources to meet them.	Department of Finance	September-January
Discussions to Finalize Governor's Budget	To reach agreement on the proposed judiciary budget as presented in the Governor's Budget.	Chief Justice, Administrative Director and Governor	December

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Trial Court Budget Development Process and Timeline

Activity	Purpose	Prepared/Issued By	When
Present Governor's Budget	To submit the proposed budget and budget bill to the State Legislature.	Governor, Department of Finance	January 10
Analyze and Make Recommendations to Legislature on the Statewide Trial Court Budget Request	To determine the reasonableness of the Judicial Council's Budget Change Proposals and the availability of resources to meet them.	Legislative Analyst's Office	February
Legislative Budget Hearings	To provide the Judicial Council opportunities to support its budget request before the legislative fiscal committees.	Senate Budget & Fiscal Review Committee, Assembly Budget Committee	March – May
Issue May Revision of Revenues and Expenditures	To update the State's fiscal condition. Provides an opportunity to correct or supplement judiciary Budget Change Proposals through the Spring Finance Letter and May Revision processes.	Department of Finance	Mid-May
Budget Act	To provide appropriations for the operation of State government, including the trial courts, for the coming fiscal year.	Legislature/ Governor	July 1 or upon the Governor's signing of the Budget Act

6.2.2 Trial Court Budget Development Activities

1. **Budget Evaluation.** Monitoring budget performance is critical to evaluating the court's success in meeting current year objectives and is also the first step in planning the budget for next year's

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operations. The trial court should track revenues and expenditures against its budget to assure that expenditures do not exceed available funding. The court's monthly internal reports and Quarterly Financial Statements are useful budget evaluation tools.

2. **Budget Planning.** The trial court has a strategic plan in place for effective operation, management of increased service demands, and improved service delivery. The trial court's budget is a formal statement of how the court will meet its objectives in the coming year. Consistent with the strategic plan, the court develops Budget Change Requests that are submitted to the Judicial Council according to the budget schedule, guidelines and Judicial Council priorities set forth in the annual Budget Change Request Package issued by the AOC.
3. The trial court will responsibly seek the resources it needs to address increases in workload, changes in services mandated by statute, improved administration and operation, and enhanced services to meet the goals of its strategic plan. The trial court's Budget Change Requests will reflect the policies of the Judicial Council and the needs of the local court system.
4. It is essential to the success of the trial court that judges and non-judicial staff give budget development a high priority to prepare an accurate and all-inclusive budget for the court.

6.3 Budget Program Structure and Chart of Accounts

6.3.1 Program Structure

The trial court Budget Program Structure is broken into four levels - Program, Element, Component, and Task (PECT). Each successive level provides additional detail that is used to develop, organize, and

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manage the trial court budget as follows:

- a. **Program:** This is the summary level, which includes all elements of Trial Court Operations – Program 10 and Court Administration – Program 90. Court Administration is reflected as a distributed expense against trial court operations in the Schedule 1 - Baseline Budget.
- b. **Element:** This is the second level of budget detail, which breaks down the two programs into the major court operations and administration elements.
- c. **Component:** The Component level is the third level of budget detail. It further segregates trial court operations funds into categories for different types of court cases and other support services.
- d. **Task:** The Task level is the most detailed budget category. It is used to segregate funds within the Criminal and the Family and Children components (of the Trial Court Operations Program, Case Type Services element.)

The trial court Budget Program Structure, showing the relationship between programs, elements, components, and tasks and the associated numbering conventions is summarized in the table provided in Appendix E.

6.3.2 Chart of Accounts

The trial court chart of accounts is a simplified version of the state chart of accounts. It provides and defines the objects of expenditure by which the court plans and reports expenditures during the fiscal year. The court may choose to add additional levels of detail for internal use, but not for use in preparing Quarterly Financial Statements for submission to the AOC. The trial court chart of accounts is provided in Appendix F.

6.4 Baseline Budget Development

1. Responsibility for developing the baseline budget lies with the trial court. The AOC Finance Division issues an annual Baseline Budget Development Package that specifies the procedures and schedules for developing the baseline budget. The baseline budget covers both the current year and budget request year. The trial court must complete the following schedules to establish its baseline budget:
 - a. **Schedule 7A – Salary and Position Worksheet.** The baseline budget process starts with an estimate of the cost of personal services (salaries and wages), which is the largest component of the trial court budget. Schedule 7A is a listing of all authorized positions, their salaries, and the associated benefit costs for each position.
 - b. **Schedule 1 – Baseline Budget.** The complete operating budget for the trial court based on existing resources makes up the baseline budget presented in Schedule 1. The Baseline Budget provides a comprehensive financial plan for the trial court. It also establishes the financial condition of the court through the fund condition statement. The Baseline Budget identifies all resources available to the trial court including: fund balances, funding from Judicial Council allocations, grant funding and other local revenue. It also identifies all trial court costs including the personal services amounts from Schedule 7A, as well as operating expense and equipment items. Schedule 1 is prepared at the summary object of expenditure level according to the program budget structure used in the state trial court budget process (see Section 6.3).
2. The Baseline Budget also includes the following table and schedules to assist the trial court:
 - a. Baseline Development Table.
 - b. Schedule 2 – New Position Salary and Benefit Worksheet.
 - c. Schedule of Equipment.

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- d. Schedule of Contractors.
- e. Grant Schedule.

6.5 Budget Change Requests

1. Budget change requests are used to provide increased funding over the trial court's baseline budget to address increased workload, legislative mandates, or provide new or improved court services. Budget change requests should be consistent with the court's strategic plan and Judicial Council priorities.
2. Each year, the Finance Division of the AOC issues a Budget Change Request Package that initiates the budget development process. The package provides the Judicial Council funding priorities for the budget year and specifies the format, procedures and deadlines that must be followed. The budget change requests submitted by each trial court must describe the proposal and demonstrate the need for additional funds. A fiscal detail worksheet itemizing personal services, and operating expense and equipment (OE&E) costs must be prepared for all requests. For new position requests, courts must complete a supporting workload analysis.

6.6 Budget Implementation

1. Budget implementation is a two-step process of establishing control over available resources and then executing operations consistent with the adopted budget plan.
2. The trial court is responsible for managing its budget within available resources and in compliance with prescribed rules and regulations. Ultimately this responsibility resides with the Presiding Judge, who has authority over the general operation of the trial court. The Presiding Judge may delegate the responsibility for budget matters according to the California Rules of Court.

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3. It should be noted that in certain circumstances a “person who incurs any expenditure in excess of the allotments or other provisions of the fiscal year budget...is liable both personally and on his official bond for the amount of the excess expenditures.”⁸

6.6.1 Establishing Budgetary Control

1. Budget controls are mechanisms to ensure that the trial court’s resources are expended in a manner consistent with the court’s priorities. The court’s baseline budget is the key internal control for effective operations. As the court prepares its Salary and Position Worksheet (Schedule 7A) and allocates its known resources between programs, elements, components, tasks (PECT), and objects of expenditure (Schedule 1), a starting point is created by which the court can measure itself to evaluate its performance.
2. System-wide budget revision and transfer policies are specified in Policy No. FIN 4.02 of this manual.
3. The trial court is responsible for developing internal policies regarding the internal allocation and transfer of moneys between programs, elements, components, tasks and objects of expenditure. At minimum, the following shall apply:
 - a. Money allocated to the trial court by the Judicial Council shall be used for “court operations” as defined in GC 77003.
 - b. Money allocated to the trial court by the Judicial Council from the State Trial Court Trust Fund, as defined by California Rule of Court 810, is limited to Rule 810 allowable expenses. Under no circumstances will these funds be transferred for purposes that are not Rule 810 allowable.

⁸ Government Code 13324.

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- c. Under no circumstance will grant funds received by the trial court from the Judicial Council or any other governmental body be expended for any purpose other than that specifically provided by the grantor.
- d. Under no circumstance shall the court incur obligations greater than the expenditure limits imposed by the available resources.

6.6.2 Budget Execution

- 1. Once plans, resources and controls are in place the trial court executes its operating plan, thereby incurring operating expenses and receiving revenues. As part of this process, encumbrances are established to account for contracts and purchase orders. Payments are made and received consistent with the policies set forth in this manual. Expenditure limits based on Judicial Council and internal allocations and policies on the movement of funds guide how the court may accommodate necessary modifications to its budget plan.
- 2. Trial court revenue and expenditure processing is specifically addressed in Policy No. FIN 5.02 of this manual.

7.0 Associated Documents